UNITED NATIONS **DP**

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/FPA/1996/3
27 November 1995

ORIGINAL: ENGLISH

First regular session 1996
15-19 January 1996, New York
Item 13 of the provisional agenda
UNFPA

UNITED NATIONS POPULATION FUND

GLOBAL CONTRACEPTIVE COMMODITY PROGRAMME

Report of the Executive Director

1. This report has been prepared in response to Executive Board decision 95/36, in which the Board took note of the report on the Global Initiative on Contraceptive Requirements and Logistics Management Needs in Developing Countries in the 1990s contained in document DP/1995/62. The Executive Board agreed in principle to the establishment of a global contraceptive commodity programme to be managed by UNFPA and requested the Executive Director to submit to the Board at its first regular session of 1996 a comprehensive report on the envisaged global contraceptive commodity programme, including the objectives and scope, administrative and financial aspects, and UNFPA's efforts to promote national capacity building, drawing on the experience of other United Nations agencies, in particular, UNICEF, the World Health Organization (WHO), and UNDP's Inter-Agency Procurement Services Organization (IAPSO), in order to take a final decision on the matter.

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I. INTRODUCTION

2. In early 1995 UNFPA, with funding from the Rockefeller Foundation, commissioned the preparation of a discussion paper to examine the need and feasibility of a global contraceptive commodity programme. The paper, inter alia, examined a number of institutional arrangements for establishing such a facility: (a) as an integral part of UNFPA; (b) as a special project of UNFPA; (c) as a sub-unit under an alternative United Nations procurement agency or organization such as UNICEF or IAPSO; (d) as a semi-autonomous institution under the International Planned Parenthood Federation (IPPF), if IPPF agreed; or (e) as a separate, independent institution responsible to its own Board.

3. This paper was discussed and further elaborated on at both the Working Group Meeting on Contraceptive Requirements and Logistics Management Needs in Developing Countries in the 1990s on 27 February 1995 and at the Consultative Group Meeting on Contraceptive Requirements and Logistics Management Needs in Developing Countries in the 1990s on 2 June 1995. The Consultative Group meeting was attended by representatives from thirteen Governments -- Australia, Bangladesh, China, Finland, India, Indonesia, Japan, Mexico, Nepal, Pakistan, Republic of Korea, United Kingdom and United States; three multilateral organizations -- UNICEF, WHO and the United Nations Population Division; four non-governmental organizations (NGOs) -- IPPF, The Population Council, the Program for Appropriate Technology in Health, and the Rockefeller Foundation; and the European Union and the World Bank. The Consultative Group endorsed the establishment of such a programme, recommended that the preferred option was for UNFPA to undertake this task, and suggested that this proposal be placed before the Executive Board for its approval.

4. At its third regular session, 11-15 September 1995, the Executive Board considered the proposal for a global contraceptive commodity programme in great depth and requested the Executive Director to submit to the Board at its first regular session of 1996 a comprehensive report on the envisaged global contraceptive commodity programme.

II. BACKGROUND

5. The global contraceptive commodity programme being proposed falls within the overall context of reproductive health, including family planning and sexual health. Indeed, the Programme of Action of the International Conference on Population and Development (ICPD) clearly identified the need for such a programme. Paragraph 7.25 states that the "international community should move on an immediate basis, to establish an efficient coordination system and global, regional and subregional facilities for the procurement of contraceptives and other

commodities essential to reproductive health programmes of developing countries and countries with economies in transition".

6. The global contraceptive commodity programme is viewed by many donors and UNFPA simply as a means of meeting urgent country requests for contraceptives, including condoms for HIV/AIDS prevention, in a more effective and efficient manner. It is fully consistent with the broad reproductive health approach, including family planning and sexual health, which the Board has endorsed in decision 95/15. The number and timing of requests for UNFPA procurement assistance are often unpredictable, thus leading to an inherent volatility in the system. The existence of a buffer stock of contraceptives will allow the Fund to counteract this volatility and meet urgent requests in a more efficient manner. The programme will thus contribute to the overall strengthening of reproductive health programmes by improving mechanisms and modalities for addressing unmet needs, increasing choice and ensuring quality in meeting the needs of individuals.

7. UNFPA will also maintain a close link between the activities of this programme and the work of the Global Initiative, as outlined in the report on the "Future role of UNFPA in assessing and meeting the unmet needs for contraceptives and the requirements for logistics management", which is also being submitted to the Executive Board at its first regular session of 1996 in document DP/FPA/1996/2. This link is to ensure that national capacity building, particularly in terms of contraceptive forecasting and logistics management, is promoted and strengthened through such inputs as technical training and technical advisory services and by improved warehousing, stock keeping, transport and management information systems.

8. The need for modern contraceptive methods is growing rapidly in developing countries. Contraceptive prevalence rates are increasing in most countries; the absolute number of couples of reproductive age continues to increase; and population groups such as single persons and adolescents are increasingly in need of contraceptive services. The combination of these factors is dramatically increasing the demand for family planning services -- the number of contraceptive users in developing countries is expected to increase by about 150 million during the next decade, bringing the total number of users to about 625 million in 2005 -- and this will require much greater resource allocations for contraceptive commodities than in the past. This situation is likely to increase the number of stock shortages that occur and, together with the continuing occurrence of emergency situations, puts a responsibility on the international community to be able to respond promptly to urgent requests for contraceptive commodities.

9. Through the Global Initiative on Contraceptive Requirements and Logistics Management Needs in Developing Countries in the 1990s, UNFPA has become aware of urgent demands for

contraceptive commodities in a number of developing countries, and in many cases UNFPA or other donors have had to take urgent action to assist countries to deal with these unforeseen shortages:

(a) Following a donor coordination meeting in Zimbabwe (November 1991), the British Overseas Development Administration (ODA) agreed to provide Zimbabwe with 66 million condoms, which together with UNFPA's support for a further 32 million condoms helped the country meet its requirements for 1992 and 1993;

(b) In 1992, UNFPA was able to respond quickly and positively to the Government of Pakistan's emergency request for 650,000 intra-uterine devices (IUDs), which came to light as a result of the in-depth study carried out in that country under the Global Initiative;

(c) In 1993-1994, Zambia faced an acute shortfall of contraceptives, and the ODA was able to provide a mix of contraceptives to meet the country's immediate needs;

(d) In 1993, UNFPA provided $600,000 to Algeria to offset a shortage in contraceptive supply for the national family planning programme;

(e) In 1994, a shortage of condoms developed in Bangladesh, and UNFPA provided stopgap support for 50 million condoms.

10. In addition to critical shortages in programmes, a number of requests for contraceptive supplies have been received from countries or regions where emergency situations exist:

(a) In 1995, UNFPA approved an emergency provision of $133,000 worth of pills and condoms to Somalia for country-wide distribution through NGO clinics;

(b) In 1995, UNFPA provided condoms, pills and IUDs for a total of $35,000 as part of emergency reproductive health kits for Bosnia-Herzegovina;

(c) In 1995, UNFPA provided funding for $32,000 worth of condoms, pills and IUDs to Marie Stopes International for the emergency needs of refugees and internally displaced women in Croatia;

(d) As part of United Nations humanitarian assistance to Iraq, UNFPA is providing oral pills worth $130,000 to cover the country's needs for part of 1995 and recently committed $633,000 for a range of contraceptive commodities to cover needs in 1996.

11. UNFPA's current ability to meet such requests in a timely manner is constrained by a number of factors. The lead-time required from the initiation of a request for contraceptives to delivery to the recipient programme can be many months. Two major factors contribute to this lead-time. The first is the availability of funding, and the second is the time required for production, quality testing and delivery. It is not possible under current UNFPA financial regulations to issue a purchase order or binding legal commitment to procure any products without first having the necessary funds to cover the financial obligation incurred. Similarly, production by the manufacturer is generally not initiated without first having a formal binding request in the form of a purchase order.

12. The idea of establishing a global contraceptive commodity programme stems from the need to be able to ensure a prompt response capability in order to avert critical disruptions in contraceptive supply. This programme would also be able to ensure that the contraceptives supplied in such situations continue to be at the lowest possible cost and of the required quality. Moreover, a major result of the programme would be to reduce the time between placing orders and delivery in the recipient countries. Avoiding such shortages would build confidence in the reliability of reproductive health programmes and would prevent shifting to less effective methods of contraception.

III. INTERNATIONAL CONTRACEPTIVE PROCUREMENT

UNFPA

13. Table 1 indicates that UNFPA has become increasingly involved in assisting countries in meeting their needs for contraceptive commodities. UNFPA's purchasing of contraceptives has more than tripled during the last few years. Additionally, donors are increasingly using UNFPA procurement services because of the Fund's ability to negotiate low prices from manufacturers and to ensure product quality -- a capability that has taken a number of years to establish. In 1994, 87 countries (see annex) requested UNFPA to procure contraceptives for them using UNFPA core funds. In addition, and also in 1994, 12 countries (Bangladesh, Brazil, Burkina Faso, Burundi, Ghana, Mexico, Nepal, Niger, Nigeria, Pakistan, Peru and Sri Lanka) requested UNFPA to procure contraceptives for them using funds from other sources including the World Bank, Germany, Canada, Finland, the Asia Development Bank, UNDP, the ODA, and the Government of Sri Lanka.

Table 1

Procurement of contraceptive commodities by UNFPA (millions of $)				
	1991	1992	1993	1994
UNFPA core funds	13.4	17.8	24.9	36.3
Procurement through UNFPA	11.9	33.9	1.7	45.6
TOTAL	25.3	51.7	36.6	81.9

Source: UNFPA Procurement Unit

14. UNFPA has product and price information from most of the major manufacturers and suppliers in over 20 countries worldwide. International competitive bidding and bulk purchases enable UNFPA to secure high-quality products at low prices. This has led to major cost savings and increased value for money. UNFPA prices for most contraceptives are generally lower than those which countries and donors are able to negotiate:

(a) Prices for condoms purchased through UNFPA are often half or less of what a country might negotiate on its own;

(b) The common public sector price for oral pills is between 20 to 25 cents per cycle; however, UNFPA has secured prices below 16 cents per cycle;

(c) In procuring raw materials in 1995 for the manufacture of oral contraceptive pills in India, a major donor paid double the price compared to that paid by UNFPA for the same product. A subsequent order of raw materials was procured through UNFPA and saved the Government over $1 million compared to the previous order.

15. In 1994, UNFPA procured $81.9 million worth of contraceptives with funds from all sources from suppliers in over a dozen countries. Table 2 shows the top ten country sources of contraceptives: (a) bought with UNFPA core funds; (b) procured through UNFPA; and (c) bought from all sources of funds.

16. Table 2 indicates that with UNFPA core funds, seven countries provide 5 per cent or more of the total, while three countries account for over 90 per cent of the contraceptives procured through UNFPA, one country alone accounting for over 70 per cent.

Table 2

Country of origin of contraceptives procured with UNFPA core funds, procurement through UNFPA, and with funds from all sources - Top 10 countries in 1994

Country	UNFPA core funds		Procurement through UNFPA		All sources of funds	
	($ millions)	(%)	($ millions)	(%)	($ millions)	(%)
Germany	9.4	26.0	32.1	70.4	41.5	50.7
Belgium	7.2	19.8	6.6	14.5	13.8	16.8
Canada	4.2	11.6	3.0	6.6	7.2	8.8
Republic of Korea	3.5	9.6	0.6	1.3	4.1	5.0
United States	2.1	5.8	0.9	2.0	3.0	3.7
Netherlands	2.8	7.7	0.0	0.0	2.8	3.4
India	2.4	6.6	0.0	0.0	2.4	2.9
Japan	1.6	4.4	0.5	1.1	2.1	2.6
Hungary	1.2	3.3	0.6	1.3	1.8	2.2
Finland	1.5	4.1	0.3	0.7	1.8	2.2
All other countries	0.4	1.1	1.0	2.2	1.4	1.7
TOTAL	36.3	100.0	45.6	100.0	81.9	100.0

Source: UNFPA Procurement Unit

Other agencies and organizations

17. Table 3, which gives information on a number of other agencies and organizations that procure contraceptives, indicates that UNFPA procures the largest value and volume of contraceptives of all the bilateral or international agencies involved in reproductive health programmes.

Table 3

Contraceptive procurement volume by international agency, 1994		
	Amount ($)	Comments
UNFPA	81.9 million	Contraceptives account for 79% of total UNFPA procurement. Contraceptives procured at the request of Governments include: oral contraceptives, injectables, condoms, IUDs, spermicides, implants, and raw materials for oral pill production.
USAID	46.1 million	Down from $59 million in 1991. USAID procures condoms (50% of total), oral contraceptives, injectables, IUDs, spermicides and implants. All items are manufactured in the USA, except Norplant™ which is bought from Finland. USAID maintains a three-month buffer stock of contraceptives in the value of $10-15 million.
IPPF	6.2 million	Procures contraceptives for its own affiliates and has carried out a limited number of large procurements for agencies and Governments since February 1995.
WHO	2.5 million	Out of a total procurement of $69.1 million for items such as pharmaceuticals, medical supplies and medical equipment, WHO procures $2.5 million worth of contraceptives. The major items procured are condoms (purchased primarily as a preventative measure against HIV infections). The other types of contraceptives are oral contraceptives, injections, implants, IUDs and spermicide jelly in small quantities.

Source: UNFPA Procurement Unit

18. Procurement service capacity exists in other United Nations agencies such as UNICEF's Supply Division, Procurement and Assembly Centre (UNIPAC) and IAPSO, however neither agency procures contraceptives. UNICEF as a matter of practice does not provide contraceptive supplies from its own resources, and UNDP has in the past utilized UNFPA procurement services when contraceptives were needed in their core-funded programmes. UNICEF is primarily involved in procurement for programmes benefiting children and women in the areas of primary health care, primary education, potable water supply, sanitation and shelter. IAPSO serves as a focal point for the United Nations system on procurement issues and has established global standards for motor vehicles, motor cycles, office equipment and power generators. Total

procurement figures for the two agencies in 1994 were: $380 million for UNICEF, mainly for vaccines, pharmaceuticals, medical supplies, water well-drilling and sanitation equipment; and $48 million for IAPSO, mainly for light and heavy vehicles, motor cycles, office equipment, computers and power generators. Although it is difficult to make direct comparisons, UNIPAC and IAPSO have 240 and 70 full-time staff, respectively, and the UNFPA Procurement Unit currently has 14 full-time staff. Knowledge of products and prices in each organization is highly specialized. Taking on the procurement of new types of products would undoubtably require an additional investment in technical expertise.

19. UNFPA has positive relations with other United Nations procurement agencies and cooperates with them in a number of ways, for example:

(a) In 1994, UNFPA purchased $4.9 million worth of medical equipment, audio visual and office equipment through UNIPAC;

(b) UNFPA procures all field office vehicles, heavy vehicles, trucks, and motor cycles directly from manufacturers according to IAPSO specifications and at IAPSO agreed contract prices;

(c) UNFPA recently procured $600,000 worth of condoms for a UNDP-funded programme in Brazil. Another order is expected later this year;

(d) UNFPA is committed to purchasing condoms according to WHO specifications and testing guidelines and has an ongoing dialogue with WHO on these issues;

(e) Since 1990, UNFPA has provided procurement services to five World Bank-financed projects and regularly provides information and advice to Bank staff on contraceptive commodities.

IV. THE PROPOSED GLOBAL CONTRACEPTIVE COMMODITY PROGRAMME

Mechanism

20. The proposed programme would operate under the principle of a "revolving fund" managed as a trust fund by the Procurement Unit of the Division of Finance, Personnel and Administration. The trust fund would be used to purchase a buffer stock of commonly requested contraceptive commodities from established manufacturers. The programme would procure contraceptives by pharmaceutical composition or generic description within pre-agreed (i.e.,

WHO-approved) specifications at the lowest available international price. The revolving fund principle would ensure that the buffer stock was maintained at the predetermined level.

21. Having procured a pre-agreed range and volume of standard contraceptives, the programme could ship these commodities to a warehouse programme (e.g., UNICEF's UNIPAC facility in Copenhagen) to be called on as required and consigned to the designated recipient country. Alternatively, UNFPA could negotiate with the respective manufacturers, prior to procurement, to hold the items in stock at the manufacturer's premises, to be segregated and held ready for immediate shipment to the agreed recipient. It is felt that the second of these two possibilities is the preferred option because it would not incur additional freight charges to an interim warehouse location; UNFPA would not be required to set up a warehousing function that would incur further costs and might have additional staffing implications; and UNFPA could ensure that stocks held were "fresh", i.e., items held by the manufacturer would be regularly replenished to ensure optimum shelf-life.

Prerequisites

22. Three prerequisites exist for the establishment of the proposed global contraceptive commodity programme: funding, staffing, and a set of operating procedures.

23. Funding. An allocation of UNFPA intercountry programme funds would provide the initial $5 million capitalization for the programme. In addition, the programme could be used by other agencies and organizations as long as they provided working capital. Replenishment of the fund would be accomplished primarily by recovering funds from UNFPA country programme allocations. An additional fee or programme premium would be levied for all users of the programme. This fee or premium would be put back into the programme to increase the amount of available funds and/or would be utilized to offset overhead costs and such contingency costs as exchange rate fluctuations. A programme premium might also help to ensure that requests made to the programme were specifically of an emergency nature and not regular requirements.

24. Staffing. Current staffing levels within UNFPA are not adequate to initiate or manage a global contraceptive commodity programme. The following additional project personnel would be required: (a) a procurement adviser (L-4 level); and (b) a finance assistant (G-6 level) in the Procurement Unit. Under the immediate supervision of the senior procurement officer, the procurement adviser would be responsible for establishing and administering the buffer stock of contraceptives. The procurement adviser would be responsible for preparing periodic updates and reports on the work of the programme in order for the Executive Board to assess its effectiveness and to recommend any modifications to its operation. The finance assistant would also be based

in the Procurement Unit in order to ensure that the revolving fund is appropriately administered and that satisfactory financial statements are periodically produced. This responsibility is likely to increase as outside agencies make use of the services of the programme.

25. It should be underscored that it would not be viable to operate this programme without additional staff. Experience to date with externally-funded procurements has demonstrated that most are invariably more time-consuming than standard UNFPA core-funded procurements. A considerable amount of extra work would be generated in managing the trust fund, settling invoices and providing periodic financial statements. Further, given that this programme may operate on the basis of combined funds from multiple sources and upon the principle of a "revolving fund", the bookkeeping and monitoring process would be complex.

26. Operating procedures. The operating procedures established for the proposed programme would, inter alia, determine whether requests received were eligible for support from the global programme (eligibility criteria) and provide guidelines concerning the operation of the programme (operating guidelines). The eligibility criteria would include the following: (a) the reason for the emergency request (justification); (b) current stockholding situation and in-country demand; (c) potential alternative sources and contraceptives in the supply pipeline; and (d) national ability to respond and react in procuring products directly. The staff of the global contraceptive commodity programme, based in the Procurement Unit, would execute requests meeting the eligibility criteria after consultation with the country office or geographical division, as appropriate. The emergency request would be submitted to the Contracts Review Committee (CRC) on a "fast-track" basis for review and approval.

National capacity building

27. National capacity building in regard to the provision of contraceptive commodities is based on the development of: (a) infrastructure and skills for logistics management systems; (b) local production of contraceptives; and (c) local procurement capacity. All countries require well-functioning logistics management systems. However, the feasibility of local production and local procurement should be determined on a country-by-country basis.

28. Over the past five years, the Global Initiative has focused on all three areas of capacity building. Document DP/FPA/1996/2, "Future role of UNFPA in assessing and meeting the unmet needs for contraceptives and the requirements for logistics management," indicates ways in which the Global Initiative can assist countries in strengthening logistics management systems.

29. Over the past 20 years, UNFPA has provided support for both feasibility studies and local production of contraceptives in a number of countries. The main objective of UNFPA assistance in this area is to ensure a local supply of safe, effective modern contraceptive methods. UNFPA's assistance has also included improving product quality, fostering good manufacturing practices and promoting worker safety. Specific examples include: China -- IUDs, condoms, oral pills, injectables, spermicides, and raw materials; Cuba -- oral pills; India -- condoms, oral pills, IUDs, and the procurement of raw materials; Indonesia -- IUDs; and Viet Nam -- condoms. A project currently pending entails the local manufacture of condoms in Bangladesh.

30. A review of UNFPA support for local production (UNFPA Evaluation Report Number 10) revealed that between 1980 and 1994, UNFPA provided approximately $50 million to support local contraceptive production in China, India and Viet Nam. Components of UNFPA assistance in these countries included: (a) design concepts for modern production facilities; (b) production, packaging and testing equipment; (c) supply of raw materials; (d) training in contraceptive technology, product testing and good manufacturing practices; and (e) technical assistance.

31. The Global Initiative has provided analysis of local production capabilities in 11 in-depth country studies in Bangladesh, Brazil, Egypt, India, Mexico, Nepal, Pakistan, Philippines, Turkey, Viet Nam and Zimbabwe. The in-depth studies outline opportunities and options for contraceptive manufacturing in each country and explain constraints for local production under certain conditions.

32. The Global Initiative has also prepared a report entitled "Contraceptive Procurement: Options for Programme Managers" that outlines the advantages, disadvantages and resource requirements associated with the following options: single-source procurement, procurement through an intermediate agency, and competitive procurement.

UNFPA global procurement management team

33. The activities of the Global Initiative have highlighted the need for greater efforts in estimating contraceptive requirements and in the logistics management of contraceptive supplies in many countries. In order to assure coordination between these two aspects, UNFPA would create an in-house global procurement management team comprising the staff of the Global Initiative and the Procurement Unit. This team would also work closely with geographical and technical divisions in UNFPA and with outside partners. UNFPA would thus continue to collaborate with the working group members and their subcontractors in this area including the Family Planning Logistics Management Project of the United States Agency for International Development (USAID) in strengthening the areas of logistics management and procurement

services. Activities would include coordination and collaboration on both short-term and long-term contraceptive requirements and logistics management needs identified in the in-depth studies and in other ways, such as Programme Review and Strategy Development (PRSD) exercises and the strengthening of technical advisory services through, for example, the UNFPA Country Support Teams.

V. ELEMENTS FOR A DECISION

34. The Executive Board may wish to:

(a) Take note of the report, as contained in document DP/FPA/1996/3;

(b) Endorse the establishment of a global contraceptive commodity programme, to be managed by UNFPA;

(c) Request the Executive Director to submit an annual progress report on the activities of the global contraceptive commodity programme to the Executive Board.

ANNEX

Countries that requested UNFPA to procure contraceptives in 1994, using UNFPA core funds

Albania
Algeria
Angola
Antigua
Azerbaijan
Bangladesh
Benin
Bhutan
Bolivia
Botswana
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
Colombia
Comoros
Congo
Côte d'Ivoire
Cuba
Djibouti
Dominican Republic
Ecuador
Equatorial Guinea
Egypt
El Salvador
Eritrea
Federal Democratic Republic of Ethiopia
Gambia
Ghana
Grenada
Guinea
Guinea-Bissau
Guyana
Haiti
Islamic Republic of Iran
Jamaica
Jordan
Kenya
Kyrgyzstan
Lao People's Democatic Republic
Lebanon
Madagascar
Maldives
Mali
Mauritania
Mauritius
Mexico
Mongolia
Morocco
Mozambique
Myanmar
Nepal
Nicaragua
Niger
Nigeria
Pakistan
Panama
Paraguay
Peru
Philippines
Republic of Korea
Romania
Rwanda
Sao Tome and Principe
Senegal
Seychelles
Sri Lanka
St. Lucia
St. Vincent and the Grenadines
Suriname
Swaziland
Syrian Arab Republic
Tajikistan
Togo
Tunisia
Turkey
Turkmenistan
Turks and Caicos
Uganda
United Republic of Tanzania
Viet Nam
Zambia
Zimbabwe